UNITED NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/CP/KHM/1
12 August 1994

ORIGINAL: ENGLISH

Third regular session 1994
October 1994, New York
Item 3 of the provisional agenda

Country programmes and related matters

FIRST COUNTRY PROGRAMME FOR CAMBODIA

Programme period October 1994-December 1996	$	$
IPF		89 158 000
Of which previously authorized	65 500 000	
Authorization required for October 1994-December 1996	23 658 000	
Estimated cost-sharing		29 263 000
Total		118 421 000

CONTENTS

		Paragraphs	Page
I.	DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES	1 - 8	2
	A. Current socio-economic situation	1 - 4	2
	B. National development objectives and strategies	5 - 8	3
II.	EXTERNAL COOPERATION	9 - 13	4
	A. Role of external cooperation	9 - 11	4
	B. Aid coordination arrangements	12 - 13	5
III.	THE COUNTRY PROGRAMME	14 - 42	5
	A. Assessment of ongoing country support activities	14 - 17	5
	B. Proposals for UNDP cooperation	18 - 38	7
	C. Assistance outside the main country programme areas	39	16
	D. Implementation and management arrangements	40 - 42	16
Annex.	Financial summary		18

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I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. The overall situation in Cambodia has been fundamentally altered since the adoption of the Paris Peace Accords of 1991 and the subsequent introduction of democratic political processes supported by the United Nations. Elections held in May 1993 have resulted in the promulgation of a new constitution, the establishment of a democratic system of government and the formation of the Royal Government.

2. Despite recent progress, Cambodia remains faced with a legacy of decades of turmoil, thereby rendering it a least developed country. Gross domestic product (GDP) per capita is approximately $220, life expectancy remains at less than 50 years and adult literacy is estimated at 29 per cent. There is a high incidence of malaria and tuberculosis while the effects of HIV/AIDS infection are becoming increasingly evident. The population of approximately 9 million is growing rapidly at 2.5-3 per cent per year with about half of this number below the age of 15. The population is characterized by a disproportionate share of women (a large proportion of which are heads of households) and children. Development prospects are severely constrained by the lack of skilled human resources and insufficiently developed institutional and legal frameworks while the physical infrastructure still requires major improvements. Security remains of concern and vast parts of the richest agricultural land are inaccessible because of extensive mining.

3. Agriculture continues to be of dominant importance, employing some 80 per cent of the labour force and contributing some 50 per cent to the GDP. Industrial value-added products and employment remain at modest levels and derive almost exclusively from small to medium-scale enterprises. The service sector has shown a buoyant, albeit unstable, expansion. Despite annual growth of 7-8 per cent for the period 1991-1992, the economy remains structurally weak and unbalanced with significant income and regional disparities.

4. Following the loss of support from the Council for Mutual Economic Assistance (CMEA) towards the end of the 1980s, and in the face of mounting military outlays, the deteriorating fiscal deficit was financed by monetary means until the second half of 1993. This contributed to macroeconomic instability, as evidenced by rapid inflation and a deterioration of the current account. Building upon earlier adjustments, the Government has already implemented a number of fiscal and administrative reform measures. These adjustments, underpinned by special budgetary support and accelerating aid disbursements, are having a positive effect as demonstrated by the sharp decline in the rate of inflation and an increase in investments, which reached a level equivalent to 15.5 per cent of GDP in 1993. Structural progress, however, requires a comprehensive strategy for poverty alleviation and well-targeted growth policies. Similarly, the functioning of a market economy requires improved internal capacity to oversee and manage the reform process. To this effect, the creation of a secure environment and legal frameworks conducive to popular participation and more sustainable and equitable development are major prerequisites.

B. National development objectives and strategies

5. The guiding principles, medium to short-term objectives and strategies, and priority programmes for national rehabilitation and development, are contained in the National Programme for the Reconstruction and Development of Cambodia (NPRDC). The NPRDC was prepared in early 1994, through a broad-based, consensus-building process. For this purpose, the Government, with active support by UNDP and the Asian Development Bank (AsDB), mobilized over 110 ministers and senior government officials, other national institutions, non-governmental organizations (NGOs) and expatriate Khmers. The NPRDC, meant as the basis for a multi-year rolling plan, addresses the highest priorities for the next three years.

6. During the initial phase of the NPRDC, the Government is committed to addressing three fundamental constraints for achieving longer-term development. First, the basis for a market economy will be strengthened by accelerating the reform of fiscal and monetary policies and practices and by establishing a legal framework conducive to private entrepreneurial activity, including investment and commercial codes. Second, the capacity for managing the reform process and for absorbing the significant inflow of external resources will be strengthened by modernizing the State, rationalizing and professionalizing the public service, and by establishing one-stop facilities to mobilize and facilitate effective utilization of private investments and aid resources. Third, special support initiatives will be undertaken to provide a basis for sustainable and equitable growth for sectors with high development potential, especially rural development, agriculture, industry and tourism. In terms of GDP, growth is targeted at 7-8 per cent per year, inflation is to be reduced to 5 per cent and the current account deficit to 9.5 per cent while investments are to be increased to 20 per cent.

7. The overall goals being pursued by the Government for the entire duration of the NPRDC are sustainable growth with equity and social justice. In addition, the creation of an "état de droit" will enable the full transition to a market economy and national reconciliation. To this effect, a set of mutually reinforcing strategies will be pursued, including reform of administrative and judicial institutions, promotion of economic stabilization and growth, structural adjustment and sectoral reform, and the sustainable utilization of the country's natural resources endowments. The Government is aware that in order to pursue these objectives and strategies successfully, there is need for a comprehensive approach to alleviate poverty and to establish mechanisms to ensure participation at all levels in the national development effort. In the same vein, and in order to enhance domestic self-reliance, the Government also intends to give priority attention to human resources development and to the rehabilitation and mobilization of the country's physical and financial resources.

8. In view of the tight budgetary situation, and given the low level of domestic savings, investments in public infrastructure must first and foremost be covered from external sources, including from the multilateral development banks and from foreign direct investment. In the meantime, balance of payments support will be provided to the Government by means of a recently approved credit from the Enhanced Structural Adjustment Facility (ESAF) of the

International Monetary Fund (IMF) for the Special Drawing Rights (SDRs) equivalent of $120 million. Furthermore, and in addition to the budgetary support that has previously been provided by the World Bank, negotiations are now at an advanced stage between the Government and the World Bank for the provision of a structural adjustment credit. In addition, negotiations are also well under way with the Asian Development Bank (AsDB) and with certain bilateral donors for the provision of sectoral development loans at concessional rates.

II. EXTERNAL COOPERATION

A. Role of external cooperation

9. External assistance to Cambodia came to a virtual halt between 1975 and 1978. During the ensuing period and until a political settlement was reached in 1991, bilateral relations were essentially confined to the CMEA countries. Substantial humanitarian assistance was provided by the international community to the 370,000 refugees along the border between Thailand and Cambodia. Within Cambodia itself, the United Nations Children's Fund (UNICEF), the Office of the United Nations High Commissioner for Refugees (UNHCR), the World Food Programme (WFP) and the International Committee of the Red Cross (ICRC) carried out major emergency-relief operations and an increasing number of NGOs became active in a broad variety of fields. During the transitional period from 1992 through 1993, emergency and relief assistance was redirected in support of returnees, internally displaced persons and rehabilitation projects within Cambodia. On the occasion of the Ministerial Conference on the Rehabilitation and Reconstruction of Cambodia, held in Tokyo in June 1992, and in response to an appeal by the Secretary-General, donors pledged about $880 million to Cambodia. At the first meeting of the International Committee for the Reconstruction and Rehabilitation of Cambodia (ICORC) held in Paris in September 1993, additional pledges of $120 million were made bringing total pledges as of that date to $1 billion. At the second ICORC meeting, held in Tokyo in March 1994, the Government formally presented the NPRDC programme; this meeting yielded further pledges for the Cambodia development effort of $780 million, including promises of substantial credits from the multilateral financing agencies and increased support for the UNDP/Government of Cambodia effort for capacity-building on de-mining operations.

10. The total estimated disbursements for the period 1992-1993 amount to $585.2 million and are broken down as follows:

(a) Total disbursements by multilateral agencies: $111.4 million or 19 per cent of total estimated disbursements. This figure includes disbursements by the European Union, AsDB, World Bank, IMF, as well as disbursements against the core resources of the agencies of the United Nations development system, including UNDP;

(b) Total disbursements by all bilateral donors: $474 million. This figure includes $164.3 million directly disbursed through the United Nations development system;

(c) Total disbursements by the United Nations development system, thus excluding the disbursements by the European Economic Community, AsDB, IMF and the World Bank: $206.8 million or 35 per cent of total estimated disbursements. This figure includes $42.5 million disbursed by the United Nations development system from its core resources and $164.3 million disbursed from bilateral contributions made to the United Nations development system.

11. At the current stage of the relief-to-development continuum, Cambodia remains heavily reliant upon external resources for covering its basic financial requirements, reducing balance of payments and fiscal imbalances and implementing the NPDRC. Apart from financial and capital assistance on concessional terms, Cambodia first and foremost requires increased private investment from both foreign and domestic sources as well as trade expansion. However, given the manifold institutional, human resource and technical constraints facing the country, the need for well-coordinated and targeted technical cooperation is a critical one, particularly in the area of capacity-building so as to ensure that Cambodia can absorb external resources and utilize them in an effective and sustainable manner.

B. Aid coordination arrangements

12. In view of the willingness of the international community to continue to support Cambodia, as evidenced in the two ICORC and earlier meetings, and in order to ensure that external and domestic resources are harmonized, the Government has established the Cambodia Development Council. The Council is chaired by the Prime Minister, while day-to-day management has been entrusted to the Minister of State in Charge of Reconstruction and Development and his three Secretaries-General. The other members of the Council are the Ministers of Foreign Affairs and International Cooperation, Land Management, Economy and Finance, Planning and Public Works and Transport. The Council has also been given responsibility for the coordination of external assistance as well as foreign direct investment. For this purpose, two executive offices have been established under the auspices of the Council, namely, the Cambodia Reconstruction Board and the Cambodia Investment Board.

13. Following the second ICORC meeting, a consultative meeting was held between the Cambodia Development Council and major donors in Phnom Penh in May 1994. At this meeting, a review was made of the Government's action plan for implementing the most immediate priorities contained therein. This meeting has established the groundwork and basis for continuing and elaborating Government-donor partnerships. The Cambodia Development Council has been actively supported by UNDP in pursuing this consultation process.

III. THE COUNTRY PROGRAMME

A. Assessment of ongoing country support activities

14. UNDP established a liaison office in Cambodia in October 1990, having earlier contributed to emergency relief operations along the border between Thailand and Cambodia. In September 1991, the Administrator allocated an

initial amount of $13.5 million in indicative planning figure (IPF) resources for Cambodia for rehabilitation activities, technical missions and reviews and human resource development, especially training. Subsequently, and as noted in document DP/1994/25, the Governing Council in June 1992 approved an additional amount of $40 million in IPF resources. Finally, and at the second regular session 1994 of the Executive Board, a further amount of $12 million in IPF resources was released by the Board. The total amount of IPF resources so far released by the Council and the Board thus comes to $65.5 million. This amount should be seen against the overall IPF entitlement for Cambodia of $89.2 million, including a carry-over from the fourth planning cycle of approximately $53 million. Accordingly, the amount of IPF resources remaining to be released for Cambodia is $23.7 million. As of the end of July 1994, 35 projects totalling $52.1 million have been formally approved by UNDP. Six projects amounting to $11.1 million are being processed for approval while another four projects amounting to $4.2 million are at an advanced stage of formulation.

15. Total cost-sharing and parallel financing mobilized to date, is $29.2 million and $21.7 million respectively, together with firm pledges for additional cost-sharing contributions amounting to approximately $10 million. Furthermore, the Trust Fund for Capacity-Building for De-mining Operations in Cambodia had, as of the end of July 1994, received actual contributions of $9.161 million with additional contributions expected in the near future. A management services agreement (MSA) has been signed with the United States for $1.6 million for the purchase of de-mining equipment (see para. 30 for further details on de-mining operations). Another MSA was signed with UNHCR for $2.6 million as parallel contributions to the Cambodia Rehabilitation and Reintegration Programme (CARERE) and two MSAs were signed with the Government of Japan for $1.6 million (for rural development projects in the provinces of Kompong Speu and Takeo) and for $18.6 million (direct budgetary support to the Government of Cambodia for procurement of equipment). The total amount of the four MSAs signed so far is thus $24.4 million.

16. UNDP cooperation during the transitional period has been wide-ranging, at a time when other donors had not yet initiated in-country assistance. UNDP cooperation comprised the following areas: rural development and reintegration; rehabilitation of essential infrastructure, and advisory services; training and policy-options. In addition, UNDP has been at the forefront of aid coordination throughout the transitional period. UNDP provided major technical inputs for the consolidated appeal by the Secretary-General for the immediate rehabilitation needs of Cambodia. UNDP provided secretariat services to the Ministerial Conference on the Rehabilitation and Reconstruction of Cambodia. Active support was provided by UNDP to the Special Representative of the Secretary-General for Cambodia and to UNTAC in executing the mandate for aid coordination. The initiation of programme activities by other United Nations agencies and other donors in Cambodia was directly supported by UNDP.

17. A UNDP programme review mission visited Cambodia in February 1994 and conducted an assessment of UNDP activities over the previous two years. On the basis of their assessment, which included consultations with the newly elected Government of Cambodia, the mission concluded that, even in the absence of an approved country programme, UNDP was providing well-targeted, relevant and

effective support to Cambodia. This support was perceived to be based on a systematic assessment of needs as well as the identification of priorities and the comparative advantages of UNDP vis-à-vis other United Nations and bilateral donor agencies. Special mention was made of the ability of UNDP to generate significant co-funding in the form of cost-sharing, parallel financing and other modalities. Nevertheless, the review mission concluded that the lack of delegated approval authority in the Country Office had hampered programme management and operations in the field, notwithstanding the efforts that headquarters had made to expedite approval actions.

B. Proposals for UNDP cooperation

1. Preparatory process

18. Apart from the experience gained following the resumption of UNDP support in Cambodia, the process followed in preparing the country programme has benefited immensely from comprehensive UNDP support to aid coordination and management during the period 1992 through to the present. Initial consultations between the Government and UNDP on the rationale and scope of continued cooperation commenced as part of UNDP support in preparing the NPRDC and within the framework of the second ICORC meeting. Subsequently, the principal strategies and proposed coverage and modalities of continued UNDP cooperation have been reviewed by UNDP, the Cambodia Development Council and all other relevant partners.

2. Strategy for UNDP cooperation

19. The first country programme for Cambodia, which covers the period October 1994 through December 1996, will serve essentially three substantive functions. First, it will provide a bridge between the involvement of UNDP in the earlier, transitional phase of Cambodia's rehabilitation and UNDP association with the medium- and longer-term reconstruction and development phase, which will of necessity continue until the end of this century and beyond. Second, the programme has also been formulated to coincide with the time-frame contained in the NPRDC. Third, the Programme corresponds to the remaining period of the current UNDP planning cycle and will be used, among other things, to ensure that there is adequate lead time for the preparation of the second, full-fledged country programme for Cambodia, which will outline the role for UNDP as from January 1997. Moreover, the period of the first country programme will provide an opportunity for UNDP and the Government to reflect upon broader strategic concerns, including the issue of compatibility between the priorities outlined in the NPRDC and the UNDP advocacy of sustainable human development (SHD).

20. UNDP-supported programme activities are expected to contribute to the national development effort through a direct, quantifiable impact upon poverty elimination in the short to medium term. UNDP cooperation is thus to concentrate on multisectoral, interdisciplinary rural development. UNDP is also to continue its cooperation in the areas of de-mining and environment and natural resources management. In this way, the approach adopted by UNDP will be

participatory, oriented to community development while targeting disadvantaged and vulnerable groups, in particular war-affected persons. At the same time, more explicit attention will be given to capacity-building, both in terms of self-reliance at the community level and regarding revitalization of development support services by the Government and by national and international NGOs. In addition, consultation is being intensified in order to enhance the coordination and effectiveness of UNDP and other United Nations-supported development programmes. This is being undertaken by means of, inter alia, the Joint Technical Monitoring Group for rural development and reintegration activities, comprised of UNDP, UNHCR, UNICEF and WFP, under the leadership of the Resident Coordinator.

21. At the upstream end, UNDP is requested to focus its cooperation on enhancing the Government's capacity to manage the current reform process in pursuing equitable and sustainable growth. In maintaining its assistance to macroeconomic and sectoral policy and management as well as resource mobilization and aid coordination, UNDP will continue to assist the Government in the implementation of the programme approach to ensure efficient use of external resources and facilitate aid coordination. In order to consolidate the gains made under the United Nations-supported nation-building process, UNDP is also to assist the Government in the modernization of the State and in improving governance. This will require expanding the use of participatory approaches in the design and implementation of programmes, the strengthening of the democratization process and the promotion of human rights.

22. In continuing and expanding its programme cooperation with the Government in the key areas of poverty alleviation and management development, UNDP is expected to offer a mix of, on the one hand, upstream policy advice and, on the other hand, downstream support at the managerial and operational levels. At the same time, the UNDP-assisted programme in Cambodia will be used to stimulate the following additional initiatives:

(a) The Government, with the assistance of the Resident Coordinator, intends to utilize UNDP as the nucleus for pursuing a more systematic coordination of the operations of the United Nations development system in Cambodia, by building, in the first instance, upon the joint statement delivered by the Resident Coordinator at the most recent ICORC meeting on behalf of all United Nations agencies resident in Cambodia. In the same vein, UNDP, in collaboration with the international financial institutions and other contributing countries, will continue its support at the country level in building national capacity for aid coordination and management.

(b) United Nations cooperation is also to support greater political, social and economic integration of Cambodia within the subregion and beyond. In this respect, the Government will pursue selected, United Nations-advocated global objectives, including Education for All, the World Summit for Children, the WHO/UNDP Alliance to Combat AIDS, and those relating to the forthcoming World Conference on Women and the World Summit on Social Development. Also, the Government will actively participate in the UNDP-supported intercountry programmes and utilize UNDP in targeting opportunities for technical and economic cooperation among developing countries.

(c) More systematic research and evaluation will be undertaken, as part of the implementation of United Nations-supported development programmes and in preparing for a joint United Nations strategy on cooperation with Cambodia. The basic rationale for this effort is to identify those United Nations development-support approaches and models that can most easily be replicated for implementation and financing by other donors.

23. The above strategies are, at the same time, expected to lead to the adoption of a more systematic approach to the articulation and implementation of sustainable human development in Cambodia beyond the duration of the NPRDC and the first country programme. Furthermore, in light of these strategic priorities, and in recognition of limited UNDP resources, certain areas of ongoing UNDP support to Cambodia will need to be consolidated and eventually phased out altogether. Moreover, these strategies are expected to enhance the integrated utilization of all the financial resources presently available through UNDP, including the United Nations Capital Development Fund (UNCDF), the United Nations Development Fund for Women (UNIFEM), the Global Environment Facility (GEF) and Capacity 21 and the regional programme for Asia and the Pacific. Similarly, these strategies should allow for a more systematic use of certain implementation modalities, including, for example, the Transfer of Knowledge through Expatriate Nationals (TOKTEN) and United Nations Volunteers (UNV) specialists. In addition, UNDP has a responsibility to assist the Government to gain access to other United Nations development system resources, particularly for sectors not covered by this Programme.

3. Proposed UNDP cooperation in selected areas of concentration

Rural development

24. Based on these strategic considerations, the Government requests that ongoing UNDP cooperation and new initiatives be focused on the following interrelated programme components, with the participation by target groups as specified. The current and projected allocation of IPF and cost-sharing resources is shown in the annex.

25. Rural poverty alleviation. Cambodia is fundamentally an agrarian society. Its rural population comprises several vulnerable groups, including a high proportion of households headed by women and a significant number of returnees and internally displaced persons. Despite recent signs of improvement in terms of human development indicators, poverty in Cambodia's rural areas remains endemic and widespread, as evidenced by mortality rates for infants of 117 per 1,000 births and for children under 5 of 184 per thousand. Moreover, and as was noted in the report of the Administrator on assistance to Cambodia (DP/1994/25), the prevailing situation in respect of access to safe drinking water and sanitation facilities, immunizations and schools is extremely unsatisfactory. Less easily observed, but prevalent nevertheless, is the impact of the recent past of a war-torn society on the social fabric of rural life, which has, among other things, resulted in a weakening of traditional values and structures.

26. In pursuing its rehabilitation and development strategies, the Government places special emphasis on developing the rural areas. According to the NPRDC,

the Government regards rural development as central to its plans for raising the living standards of all Cambodians; for reducing the disparities in incomes and opportunities between rural and urban areas; and, crucially, for strengthening national reconciliation and internal security. In addition, rural development is seen as helping to ensure greater food security, environmental sustainability and, finally, creating non-farm employment opportunities through the promotion of entrepreneurship and small-scale industries. Moreover, the Government has committed itself to ensuring that all national and international organizations involved in rural development cooperate with one another and with the Government when planning and implementing rural development programmes. There is also to be a decided shift towards a more integrated and people oriented approach to rural development in order to reinforce sustainability through people's participation and gender sensitivity. In the specific case of agriculture, technical cooperation continues to be required to help formulate policies and strategies to strengthen local planning and management capacities. Finally, an expansion of the Government's de-mining programme beyond a humanitarian function is a sine qua non for rural development to take place on any significant scale.

27. Ongoing UNDP cooperation with Cambodia in the field of rural development will be further expanded, and new initiatives launched. For this purpose, the Government and UNDP have together selected additional provinces to be covered by CARERE. This will be combined with more systematic and intensified approaches to the international donor community for cost-sharing and other complementary financing. So far, these efforts have yielded additional pledges from Australia, the European Union, the Netherlands and Sweden. The multisectoral and participatory nature of the community-development approach adopted so far will be further focused on rural poverty alleviation and income generation. The modality of quick-impact projects will be preserved, albeit with UNDP cooperation focusing increasingly on the systematic strengthening of local and provincial capacities for development planning, management and implementation. In addition, collaboration will be more firmly established with coordinating and technical line ministries. In this manner, UNDP will support overall policy frameworks with particular respect to the viability and replicability of the approaches to be adopted for rural development. Collaboration with other United Nations specialized agencies will also be strengthened, especially with UNICEF, the World Health Organization (WHO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO), as regards strengthening of the delivery of basic health and education services, and with the Food and Agriculture Organization of the United Nations (FAO), the International Labour Organization (ILO), the International Fund for Agricultural Development (IFAD) and UNCDF, as well as AsDB, the European Union and bilateral donors, as regards agricultural support services.

28. In the actual implementation of UNDP enhanced programme support, close collaboration with local and international NGOs will be reinforced. The use of cost-effective implementation modalities at the community level will be replicated from earlier pilots. UNDP cooperation will thus further contribute to restoring confidence and social networks at the local level and to facilitating the reintegration of war-affected persons while serving as a catalyst for mobilizing local initiatives and resources. This, in turn, will enhance the sustainability of both national and donor-supported development interventions.

29. The integrated approach that will characterize UNDP cooperation with the Government, United Nations agencies and other donors, include the following elements:

(a) Delivery of basic services in health and education. Mainly through CARERE, UNDP will continue to give priority attention to the direct improvement of primary health care services and human resources development at the community level. To this effect, ongoing consultations with other United Nations agencies are to result in a coherent approach, whereby United Nations-established planning and implementation mechanisms will be progressively transferred to the emerging national structures at the local, provincial and central levels;

(b) Rural employment and income generation. Support activities already undertaken by CARERE and the employment generation programme will be expanded during the coming years through increased credit for productive ventures, business-management training, vocational/technical training, and support to local technology development;

(c) Securing access to basic agricultural support services. In collaboration with other donors, including NGOs, UNDP is to assist a variety of mechanisms to facilitate farmers' access to basic services. A major rural credit programme, fostering a local savings capability, is being implemented through a French NGO (Groupe d'échanges et recherches technologiques-GRET), with co-financing by UNDP, UNICEF and the Caisse française de développement. Additional agricultural extension support will be undertaken for rice production, crop diversification and water management, in collaboration with FAO and a number of NGOs active in these fields;

(d) Rural roads and irrigation systems. UNDP is to continue its involvement in labour-intensive road rehabilitation schemes and the development of secondary rural roads and irrigation systems, provided that financing for operations can be generated through other donor channels, and, eventually, from local resources. Attention will continue to be given to creating opportunities for war-affected persons to earn supplementary income. Maintenance issues will be addressed by means of participatory mechanisms involving local authorities and user-groups;

(e) Rural energy. UNDP is also requested to cooperate in the development and testing of practical and cost-effective solutions to satisfy rural energy requirements, including the diffusion of biogas technology. This will also contribute to reducing the pressure on Cambodia's forestry resources, to decreasing the cost of firewood at the household level and to improving the sanitary situation in villages;

(f) Capacity-building at the provincial level. Capacity and institution-building efforts undertaken so far in respect of provincial authorities for planning, coordination and implementation in sectors such as health management, education and agriculture, have been encouraging. The aim of UNDP cooperation, essentially through CARERE, will therefore increasingly be to upgrade technical and managerial expertise, and to develop and test appropriate methodologies, while continuing to act as a conduit for capital investment, technical cooperation and budgetary support from other donor sources.

30. De-mining. Development prospects in Cambodia continue to be severely hampered by the existence of up to 10 million land mines that have been laid over the last several decades and which kill or maim an average of 300 Cambodians per month. At the request of the Secretary-General, and following the phasing out of UNTAC, UNDP designed a programme for capacity-building for de-mining in Cambodia and subsequently established a UNDP trust fund for this purpose. This programme is currently providing substantial financial support to the Cambodian Mine Action Centre (CMAC) to continue to conduct large-scale de-mining programmes. The trust fund is also being used to finance certain activities being undertaken by NGOs in this vital area. To date the fund has received substantial contributions from Australia, Canada, Denmark, Japan, the Netherlands, New Zealand, Sweden, the United Kingdom and the United States. As already noted, contributions totaliing approximately $9 million have been deposited with the fund and additional contributions and pledges are expected. Moreover, Australia, Belgium, Canada, France, Netherlands, New Zealand and Norway have provided, collectively, some 36 technical advisers to help train Cambodian de-miners in all aspects of de-mining, including mine clearance, mine marking and mine awareness. This has been complemented by IPF support for the de-mining programme. Finally, and through various mechanisms, several donors have made financing available (including an MSA for $1.6 million from the United States) to enable CMAC to purchase some of the former UNTAC de-mining assets. As at the end of June 1994 and as a result of the efforts of UNTAC and the UNDP capacity-building programme, a total of 2,100 Cambodian de-miners have been trained, 8.5 million square metres have been de-mined (removing 21,170 anti-personal mines, 132 anti-tank mines and 135,000 unexploded devices) and 44 million square metres have been marked.

31. Environmental and natural resources management. Cambodia's rich natural resource base has been significantly degraded for the past 20 years, and it is expected to come under increasing pressure. Important initiatives have been taken by the Government, such as the zoning of 17 per cent of the country as protected areas, the establishment in 1993 of a state secretariat for environment, and preliminary legislation. Support from the Office for Project Services (OPS) in the form of the Cambodia Environmental Advisory Team (CEAT) has so far provided institution-building and training support and assistance in the preparation of mining legislation and the promotion of environmental awareness and public education. Ongoing support includes the preparation of the "State of the Environment Support", technical advice to the Land-Use Mapping Office and preliminary steps for the establishment of an integrated resources information centre. An evaluation of the CEAT effort is planned to be undertaken in the near future and this may be combined with a programming mission under Capacity 21. Further UNDP cooperation should be based upon a comprehensive view of the environmental situation in Cambodia, taking into account the need to balance short-term needs against longer-term needs for the regeneration of the country's natural endowments as well as organizational and institutional issues. Moreover, whatever UNDP does in this area should ensure that UNDP resources are not spread too thinly and that ongoing and planned assistance from other agencies such as the International Development Research Centre (IDRC) of Canada and the AsDB are fully taken into account. Finally, consideration will need to be given to the balance to be struck between UNDP interventions at the central policy-making level and those that can be undertaken at the grass-roots level through CARERE and other programmes.

Whatever follow-up programmes are devised should be able to access resources from Capacity 21, GEF and/or the Montreal Protocol while taking into account possible opportunities under the UNDP Global and Interregional Programme. In the meantime, UNDP/FAO collaboration is envisaged in the establishment of forest inventory and management programmes. UNDP is also supporting a Mekong Secretariat-executed master plan for the more sustainable management of the Tonle Sap natural resource base.

Management development programmes

32. Macroeconomic and sectoral management development. In order to facilitate the complete transformation of Cambodia to a market economy, combined with stable and equitable growth, the Government has committed itself in the NPRDC to a coherent package of measures, including: (a) continued containment of inflation which was maintained at slightly less than 7 per cent per year during 1991 to 1993, and was reduced from an annual rate of 200 per cent in 1991 to 31 per cent in 1993, and the stabilization of the external value of the Riel; (b) fiscal deficits to be financed entirely from external sources; (c) investments targeted to priority areas; and (d) reform or privatization of loss-producing public enterprises. Moreover, the Government intends to accelerate revenue enhancement through tax and customs reform. However, it is also recognized that the adoption of appropriate policy measures is not a sufficient condition for success and that effective and sustainable implementation of these measures over the long term is equally important.

33. The Government recognizes that in order to establish a solid, longer-term macroeconomic framework, there is need for policy and technical advice in respect of a whole range of areas and sectors. Regarding the health sector, UNDP is requested to extend its cooperation with WHO in policy and management development. In so doing, support at central and provincial levels is to become more balanced, thereby reinforcing ongoing UNICEF support in ensuring effective delivery of such services at the grass-roots level. In addition, UNDP assistance is to complement ongoing WHO support in accelerating the implementation of the national programme to combat HIV/AIDS, with further support by the UNDP subregional programme. The recently approved UNDP/UNESCO support to education and human resource management will assist the Government in establishing an integrated and country-wide education and training programme. This is expected to contribute to capacity-building and the transfer of know-how and technology in order to build a more effective and efficient Cambodian labour force within both the public and private sectors. Regarding the agricultural sector, and in addition to integrated rural development support, UNDP is requested to continue its collaboration with FAO and AsDB in finalizing the ongoing agriculture development options review. Follow-up support as regards irrigation is also requested, both at central and provincial levels. Additional assistance that may be considered for the second country programme includes the design of policy and regulatory frameworks for selected agricultural subsectors, land-titling and cadastre. Tourism has the potential to become a considerable source of foreign exchange and a major growth area. UNDP/World Tourism Organization (WTO) cooperation is ongoing in respect of legislation and institutional support to the Ministry of Tourism. As regards population, UNDP will be requested to provide complementary funding to UNFPA support to the forthcoming national population census. Likewise, UNDP is requested to provide

catalytic cooperation in the field of urban development management, based on plans developed with support by the United Nations Centre for Human Settlements (UNCHS).

34. Modernization of the State and governance. The Government has initiated a process of reform and reorientation of the statal apparatus and operations. This process seeks to lay the foundation for a sound organizational basis and capacity for modern socio-economic management, to ensure better transparency and accountability in the management of public and donor resources, and to alleviate the budgetary burden. As outlined in the NPRDC and in order to ensure that macroeconomic management is successfully carried out and that the Cambodian people are provided in a timely and effective way with supporting government services, the Government has initiated a broad process of reform and reorientation of the statal apparatus and its operations. This process is also intended to lead to greater transparency and accountability in the management of internal and external financial resources and to alleviate the current budgetary burden that the State machinery imposes on the country. An inter-ministerial committee has been established to guide this process and to ensure broad-based participation and consensus. Furthermore, a phased programme has been prepared for public administration and civil service reform, with support from the UNDP Management Development Programme (MDP). The major components of the programme, which is to be supported by the international donor community at large, relate to the restructuring of the State machinery; human resources management and improvement of the managerial and technical capacity of the public service; strengthening of management and service delivery by pilot-ministries; and the strengthening of provincial administration and the relations between central and local government. In order to strengthen the Government's overall leadership in pursuing the reform programme, MDP is to provide advice and capacity-building support regarding the overall management of the reform programme, and the coordination of donor support. MDP cooperation is also to be geared towards addressing the social impact of the reform process, including assistance in the design and in the implementation of adequate social safety nets and re-training schemes, the latter in cooperation with other donors, most notably the World Bank. France, the World Bank, and AsDB are among the donors that have already expressed interest in supporting the programme. At the more operational level, ongoing UNDP cooperation regarding several sectoral ministries will continue to focus on improving the administration's capacity in the effective and efficient delivery of basic services.

35. The Government is aware that the concerns related to governance extend well beyond the management of the public sector and service. In order to enable stable and equitable growth at a time of fundamental societal change, it is essential to strengthen the rule of law and to induce a societal code of conduct based upon respect for human rights and private initiative, in balance with social concern. Based on the needs assessment contained in the report by the Special Representative of the Secretary General for Human Rights, UNDP is, therefore, requested to cooperate with the United Nations Centre for Human Rights (UNCHR) and national and international NGOs. UNDP and other donors (including France and the Asia Foundation) will support legal reform, strengthening of the legislative, executive and judiciary powers and capacities, and strengthening of public education and awareness in fostering people's participation in the democratic process and securing human rights. Support

activities, currently being designed, will thus contribute to the coordinated delivery of training, short-term advisory services and UNV specialists in support of the Commission for Human Rights of the National Assembly, the Appeals and Supreme Courts, and - through UNCHR - national NGOs that provide legal services and promote human-rights awareness. In so doing, special attention is to be given to the empowerment of women, and vulnerable and minority groups.

36. Resources mobilization and aid coordination. The inflow of external resources, including both foreign direct investment and loans and credits on concessional terms along with trade expansion, are deemed essential by the Government for continued rehabilitation and acceleration of economic growth. For its part, UNDP has already assisted in designing and formulating a trade expansion programme, including export development. In the field of investment promotion, the Government is aware that the rehabilitation and development of its infrastructure in strategic sectors requires a judicious mix of both public and private investment from domestic and foreign sources. This can only take place if there is a clear identification of investment opportunities and ranking on the basis of priority. Moreover, the Government favours those investments that hold out the promise of upgrading national managerial and technical capacities and capabilities. Furthermore, due attention should be paid to the issue of cost-recovery and environmental impact. UNDP support to the Cambodia Investment Board addresses these concerns and is being carried out in cooperation with the UNDP/International Finance Corporation (IFC) Foreign Investment Advisory Services Programme (FIAS).

37. As regards such capital-intensive sectors as transport and communications, UNDP assistance has until now been of a direct support, quick impact nature. The limited assistance that UNDP provides in this area, will in future shift more towards overall planning, pre-investment and capacity-building on the understanding that follow-up investments will come from other multilateral and bilateral agencies and from the private sector. UNDP assistance is currently at varying stages of implementation in the case of master plans for the transport, civil aviation, telecommunications and irrigation sectors and is being implemented in cooperation with OPS, the International Civil Aviation Organization (ICAO), the International Telecommunication Union (ITU) and the Mekong Secretariat. These activities have stimulated the interest of agencies such as the Caisse française de développement, the World Bank and AsDB and will also facilitate the actual delivery of resources pledged at the ICORC meetings. Similarly, ongoing UNDP collaboration with the World Bank in the urban power and water supply sector is expected to lead to the provision of International Development Association (IDA) credits. Therefore, it is expected that UNDP can begin to reduce its support to work in these areas. In the case of civil aviation (provided support from other donors is forthcoming) this will be done gradually in order to ensure that safety standards are not compromised. Finally, through collaboration with the United Nations Industrial Development Organization (UNIDO), the International Trade Centre (ITC) and the UNDP/IFC FIAS programme, it is expected that UNDP can help to expand trade and create a better enabling environment for foreign direct investment.

38. Permeating the entire process of national rehabilitation and development is the need for technical cooperation to address the manifold institutional, technical, managerial, legal and procedural bottlenecks. As a result of the

extraordinary circumstances that prevailed in Cambodia during the transitional period, aid coordination and management fell largely outside the scope of the national authorities. Thus, at a time of unprecedented international interest in Cambodia, the Government has limited experience and no proven institutional mechanisms for effective aid coordination and management. The recent establishment of the Cambodia Development Council, and its subsidiary boards, is a crucial step towards rectifying this situation. Apart from continuing its direct support, UNDP, along with other donors, will assist the Government to articulate further its policy and management framework for aid coordination and management, aimed at the integrated utilization of external and domestic development resources.

C. Assistance outside the main country programme areas

39. Any further requirements that may be identified for UNDP cooperation will be met by mobilizing additional resources. UNDP is also requested to accommodate further requests for management service agreements. An IPF programme reserve of $1.9 million has been set aside to meet any cost increases.

D. Implementation and management arrangements

40. Given the profound changes in Cambodian society and administration, there is a need to reorient not only the substantive focus of external cooperation but also its management arrangements. Participation and ownership are now to be better ensured at all levels and in respect of policy-making, planning and implementing, and beneficiary parties. Furthermore, capacity-building is more than ever a priority in designing and implementing national development efforts in order to ensure the absorption, effectiveness and sustainability of external assistance. UNDP will also identify creative ways of utilizing and upgrading Khmer expertise, including expanded use of the Transfer of Knowledge through Expatriate Nationals (TOKTEN) and UNV facilities. With the principal focus on poverty alleviation, UNDP is thus to assist actively in the modernization of socio-economic management and the strengthening of governance, as well as the fostering of Government-donor accords.

41. Given the currently prevailing national capacities, a realistic approach must be adopted in the design of implementation and management arrangements. Execution of UNDP-funded support will, therefore, for the time being, continue along traditional lines, i.e., through United Nations specialized agencies, OPS, other international centres of excellence and NGOs. It will, nevertheless, be further ascertained how the Cambodia Development Council and national implementing agencies can increasingly be assigned more direct managerial and administrative support functions. Furthermore, under the leadership of the Cambodia Development Council, inter-United Nations system cooperation will be further strengthened and collaborating arrangements will be sought with other national and international agencies to support either management-support or technical operations. Implementation mechanisms at the grass-roots level are also to be further strengthened to ensure increased involvement of local authorities and enhanced participation by NGOs and community groups. Likewise,

horizontal linkages between projects will be encouraged for consultation on operational and technical matters and to enable the sharing of experiences.

42. The process of national rehabilitation and development entails, to a large extent, the concepts of learning-by-doing and learning from others. The Government, therefore, requests continued support in appraising progress and constraints through sectoral programme-review meetings with relevant donors at the national level. This will enable the Government, UNDP and their development partners to benefit from the experience gained in implementing the first country programme for Cambodia.

Annex

FINANCIAL SUMMARY a/

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

	$	$
Carry-over from fourth cycle IPF	52 966 000	
Fifth cycle IPF	36 192 000	
Subtotal IPF		89 158 000
Project cost-sharing (third-party)	29 263 000	
Subtotal cost-sharing		29 263 000
TOTAL		118 421 000

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

	(Thousands of dollars)			
Area of concentration	IPF	Cost-sharing	Total	Percentage of total resources
Rural poverty alleviation	42 429	29 123	71 552	60.4
Management of development	44 850	140	44 990	38.0
Balance not allocated so far	1 879		1 879	1.6
TOTAL	89 158	29 263	118 421	100.0

a/ Covering the entire fifth cycle period (1992-1996).

III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN AREAS OF CONCENTRATION

		Thousands of dollars	
A.	UNDP-administered funds		
	SPR	1 552	
	UNCDF	520	
	UNIFEM	18	
	UNRFNRE	-	
	UNFSTD	-	
	Subtotal		2 090
B.	Other United Nations resources		
	JCGP participating agencies	-	
	UNFPA	2 040	
	UNICEF	-	
	WFP	-	
	IFAD	2 000	
	Other United Nations agencies (non-UNDP financed)		
	UNDCP	-	
	Global Environment Facility	-	
	Subtotal		4 040
C.	Non-United Nations resources		
	Parallel funding	21 701	
	Subtotal		21 701
	TOTAL		27 831